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Message Text

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ACTION OES-07

INFO OCT-01 EA-10 ISO-00 CIAE-00 DODE-00 NSAE-00
NSCE-00 SSO-00 ICAE-00 INRE-00 SOE-02 AID-05
CEA-01 COME-00 EB-08 H-01 INR-10 INT-05 L-03
OMB-01 PM-05 SP-02 SS-15 STR-07 TRSE-00 ACDA-12
PA-01 NRC-05 XMB-02 /103 W
----------046326 250612Z /10
O 250546Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC IMMEDIATE 7353
INFO DOE GERMANTOWN IMMEDIATE
DOE WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 07314

E.O. 11652: GDS
TAGS: TECH, ENRG, JA
SUBJECT: JAPANESE PROPOSAL FOR ADVANCE PAYMENT OF URANIUM ENRICHMENT SERVICES

DOE FOR BERGOLD, SIEVERING, VOIGT AND SLAWSON FROM HELFRICH

DEPT PASS TO TREASURY FOR PAUL TAYLOR

SUMMARY: IN MEETING WITH DEPARTMENT OF ENERGY REPRESENTATIVES JAPANESE GOVERNMENT OFFICIALS AGAIN EMPHASIZED THEIR CONTINUED INTEREST IN WORKING OUT ARRANGEMENTS TO PREPAY ABOUT $1 BILLION FOR URANIUM ENRICHMENT SERVICES AND IN BEING ABLE TO MAKE AN APPROPRIATE STATEMENT ON THIS SUBJECT DURING PRIME MINISTER'S VISIT. WHILE PREPARED DROP CONCEPT OF FIXING PRICE AT TIME OF PAYMENT, THEY MADE IT CLEAR THEY WOULD THEN REQUIRE INTEREST CREDIT ON PAYMENT. INTEREST BEARING TREASURY ACCOUNT, IF THAT WERE POSSIBLE, SEEMED ACCEPTABLE. THEY INDICATED WILLINGNESS TO BE FLEXIBLE IN REGARD TO EXTENT OF THEIR CONTROL OF SEPARATIVE WORK COVERED BY PAYMENT SO LONG AS IT MET THEIR NEEDS FOR JUSTI-FYING TRANSACTION. THEY EXPRESSED STRONG INTEREST IN COMING TO CONFIDENTIAL

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WASHINGTON LATER THIS WEEK OR EARLY NEXT WEEK IF THAT WOULD HELP RESOLVE ISSUES PRIOR TO PRIME MINISTER'S VISIT. END SUMMAR Y.

1. DEPARTMENT OF ENERGY REPRESENTATIVES BRUSH, HELFRICH AND HENOCH MET WITH YAMAMOTO OF MITI, KASHIWAYS OF MINISTER'S SECRETARIAT OF FINANCE MINISTRY AND HYODO, DIRECTOR OF RESOURCES

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DIVISION, ECONOMIC AFFAIRS BUREAU, MINISTRY OF FOREIGN AFFAIRS
AT THEIR REQUEST ON 24 APRIL TO DISCUSS STATUS OF REVIEW OF THEIR
OFFER TO MAKE ADVANCE PAYMENT OF $1 BILLION FOR URANIUM ENRICH-
MENT SERVICES.

2. DOE REPS ADVISED THAT MATTER WAS STILL UNDER REVIEW IN
WASHINGTON AND REAFFIRMED PREVIOUS POSITION THAT US WAS NOT
PREPARED TO FIX THE SEPARATIVE WORK PRICE AT THAT IN EFFECT AT
TIME OF ADVANCE PAYMENT. JAPANESE SIDE REITERATED THEIR POSITION

THAT IN THAT CASE AN INTEREST CREDIT WOULD BE REQUIRED AND
INQUIRED AS TO STATUS OF CONSIDERATION OF THAT ISSUE. THEY WERE
ADVISED THAT THERE DID NOT APPEAR TO BE ANY PRACTICABLE WAY FOR
DOE TO PROVIDE SUCH A CREDIT AT PRESENT TIME. IN RESPONSE TO QUERY
AS TO WHAT OTHER POSSIBILITIES MIGHT BE USED TO RESOLVE THIS MATTER
THEY WERE ADVISED THAT IT MIGHT BE POSSIBLE TO ESTABLISH AN INTEREST
BEARING ACCOUNT IN TREASURY DEPARTMENT AND THIS WAS UNDER CONSIDERA-
TION BUT THERE WAS NO DECISION ON IT YET. JAPANESE SIDE PUSHED FOR
EARLY DECISION ON THIS ISSUE AND GAVE STRONG IMPRESSION THAT
ESTABLISHMENT OF APPROPRIATE INTEREST CREDIT WAS ESSENTIAL TO
CONSUMMATION OF ADVANCE PAYMENT.

3. JAPANESE SIDE STATED THAT THEY STILL DESIRED THAT THIS TRANS-
ACTION IMPACT ON THEIR CURRENT ACCOUNTS SURPLUS AND THAT WITHIN THEIR
SYSTEM THEY FELT THIS WOULD BE POSSIBLE. THEY ALSO WISH TO HAVE
THE TRANSACTION FINANCED THROUGH THEIR EXIM BANK. BOTH OF THESE
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POINTS NECESSITATE THAT THEY RECEIVE AND/OR BE ABLE TO DEMONSTRATE
SOME INTEREST IN OR CONTROL OF THE ENRICHMENT SERVICES COVERED BY
THE ADVANCE PAYMENT. US SIDE EXPLAINED DIFFICULTIES IN PROVIDING
CONTROL OF SERVICES AND ASKED IF IT MIGHT SATISFY THEIR REQUIREMENTS
IF THEY WERE PERMITTED TO FIRM UP DELIVERY REQUIREMENTS FOR SEPARA-
TIVE WORK UNDER ARTICLE 2.7 OF LTFC'S FOR EXTENDED PERIOD INTO
FURURE RATHER THAN THE 315 DAY NORMAL ADVANCE PERIOD. IT WAS
EMPHASIZED THAT THIS POSSIBILITY HAD NOT BEEN FULLY EXPLORED BY
US BUT IT WOULD BE DESIRABLE TO HAVE JAPANESE COMMENTS AS TO WHETHER
IT MIGHT MEET THEIR NEEDS. THEY AGREED TO LOOK INTO THIS. IT
SHOULD BE NOTED THAT THEIR INTEREST IN THIS MAY STEM MORE FROM
THEIR LACK OF KNOWLEDGE OF THE SIGNIFICANCE OF SUCH AN ACTION
THAN FROM ANY REAL FEELING THAT IT MEETS THEIR NEEDS.

4. FINANCE MINISTRY REP THEN EXPRESSED THEIR CONTINUING STRONG
INTEREST IN BEING ABLE TO MAKE STATEMENT ON OUR INTEREST IN PROCEEDIN
G
WITH ARRANGEMENTS FOR SUCH A PAYMENT AT TIME OF PRIME MINISTER VISIT.
US SIDE STATED THAT IT WAS DOUBTFUL THAT ISSUES COULD BE SUFFICIENTLY
RESOLVED BY THAT TIME SO THAT WE WOULD BE WILLING TO AGREE TO PUBLIC
STATEMENT. YAMAMOTO STATED THAT THEY WOULD BE WILLING TO COME TO
WASHINGTON LATER THIS WEEK OR EARLY NEXT WEEK FOR FURTHER DISCUSSIONS

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IF THAT WOULD BE HELPFUL. US SIDE AGREED TO ADVISE HIM IF THERE
WAS ANY MERIT IN SUCH A VISIT.

5. IN SUBSEQUENT PRIVATE CONVERSATION WITH HELFRICH, YAMAMOTO NOTED
THAT THE RESPONSIBLE OFFICIALS FROM ALL OF THE INTERESTED OFFICES
HAD BEEN PRESENT IN THE EARLIER MEETING, THEY WERE ALL INTERESTED
IN PROCEEDING WITH THE ADVANCE PAYMENT AND WERE EARNESTLY EXPLORING

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DOE WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 02 OF 02 TOKYO 07314

THE POSSIBILITY OF FIRMING UP CONTRACT DELIVERIES. HE THEN INQUIRED
AS TO WHAT INTEREST RATE TREASURY MIGHT PAY IF SUCH AN ACCOUNT
COULD BE ESTABLISHED. HE NOTED THAT HE UNDERSTOOD TREASURY'S

CURRENT GOING RATE WAS ABOUT 6 OR 6.02 PERCENT AND WONDERED
IF THAT MIGHT BE THE RATE. IF IT WERE TO BE MUCH LOWER THAN THAT
IT WOULD CAUSE THEM GREAT DIFFICULTY. HELFRICH TOLD HIM THAT HE
HAD NO IDEA WHAT INTEREST RATE TREASURY MIGHT BE ABLE TO PAY;
THIS WOULD HAVE TO BE DISCUSSED WITH THEM IF SUCH AN ACCOUNT WERE
FEASIBLE. YAMAMOTO THEN RAISED TWO OTHER POINTS ABOUT SUCH AN
ACCOUNT: (A) WOULD INTEREST RATE BE FIXED OR VARIABLE--LATTER
WOULD CAUSE PROBLEMS WITH UTILITIES WHO WOULD BORROW FUNDS FROM
JAPANESE EXIM BANK AT FIXED RATE AND (B) WOULD ACCOUNT BE IN
UTILITIES' OR DOE'S NAME--IF UTILITIES RETAINED CONTROL OF MONEY IT
WOULD CAUSE PROBLEMS IN TREATMENT OF TRANSACTION. HELFRICH AGREED
PASS THIS ON TO WASHINGTON. YAMAMOTO AGAIN EXPRESSED THEIR WILLING-
NESS TO COME TO WASHINGTON EARLY NEXT WEEK IF IT WOULD HELP.

6. IN SEPARATE MEETING WITH JAPANESE INDUSTRY OFFICIAL, HELFRICH

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OF DOE WAS ADVISED THAT JAPANESE GOVERNMENT AND UTILITIES HAVE
UNDER CONSIDERATION OFFERS FROM BOTH COGEMA AND URENCO TO PROVIDE
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ENRICHMENT SERVICES. COGEMA PROPOSAL INVOLVES 1,300 TONNES OF SEPARATIVE WORK A YEAR FROM 1985 TO 1995 PLUS RELATED FEED WITH FULL PAYMENT TO BE MADE SEVEN YEARS IN ADVANCE OF DELIVERY. URENCO PROPOSAL INVOLVES 400 TONNES SWU IN 1983, 500 TONNES IN 1984 AND 750 TONNES EACH YEAR FROM 1985 TO 1995. WHILE ORIGINAL PROPOSAL DID NOT INVOLVE FEED MATERIAL, URENCO HAS INDICATED WILLINGNESS TO CONSIDER PROVIDING UP TO HALF OF RELATED FEED. ENTIRE AMOUNT FOR ORIGINAL OFFER OF SWU (APPROXIMATELY $1 BILLION) IS TO BE PAID IN ADVANCE AT TIME OF SIGNING CONTRACT. ACCORDING TO JAPANESE OFFICIAL, UTILITY EXECUTIVES HAVE DECIDED THEY WILL COOPERATE WITH GOVERNMENT IN IMPLEMENTING ADVANCE PAYMENT TO US IF GOVERNMENT SHOULD ASK THEM TO DO SO. HE ADDED THAT THE UTILITIES WOULD BE WILLING TO ACCEPT ESSENTIALLY THE SAME INTEREST CREDIT RATE AS THEY WOULD HAVE TO PAY THE GOVERNMENT. CONSIDERATION OF COGEMA AND URENCO PROPOSALS IS PROCEEDING SEPARATELY FROM DISCUSSIONS ON ADVANCE PAYMENT TO US; HOWEVER, SINCE THE UTILITIES DO NOT NEED ADDITIONAL SEPARATIVE WORK AND THERE IS LIMIT TO AMOUNT OF FOREIGN CURRENCY GOVERNMENT WISHES TO TRANSFER, PRESSURES TO ACCEPT THOSE PROPOSALS WOULD BE LESS IF ADVANCE PAYMENT WERE MADE TO US.

7. ACTION REQUESTED: DOE STAFF SHOULD CONTINUE TO EXPLORE WITH TREASURY (PAUL TAYLOR) THE POSSIBILITY OF ESTABLISHING AN INTEREST BEARING TREASURY ACCOUNT, AND REVIEW POSSIBILITIES FOR SATISFYING JAPANESE NEED FOR INTEREST IN OR CONTROL OF MATERIAL COVERED BY ADVANCE PAYMENT. ALSO, PLEASE ADVISE IN NEXT FEW DAYS IF THERE IS ANY MERIT IN JAPANESE DELEGATION COMING TO WASHINGTON PRIOR TO PRIME MINISTER'S VISIT. MANSFIELD

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